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**FISCAL IMPACT STATEMENT**

**LS 6973**

**BILL NUMBER:** HB 1475

**NOTE PREPARED:** Jan 25, 2015

**BILL AMENDED:**

**SUBJECT:** Statewide 911 System.

**FIRST AUTHOR:** Rep. Karickhoff

**FIRST SPONSOR:**

**BILL STATUS:** As Introduced

**FUNDS AFFECTED:**    **GENERAL**  
                          **X DEDICATED**  
                          **FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** *Public Safety LOIT:* This bill removes the requirement that a county council (for a county adjusted gross income tax) or a county income tax council (for a local option income tax) must impose certain additional tax rates as a condition of imposing an additional tax rate for public safety.

*Maximum Levies:* The bill authorizes the fiscal bodies of a county and another political subdivision that are parties to a contract under which the county has assumed the responsibility of operating a public safety answering point (PSAP) to jointly petition the Department of Local Government Finance (DLGF) to adjust the maximum permissible ad valorem property tax levies of the respective units.

*Statewide 911 Fee:* This bill increases the statewide 911 fee: (1) for a prepaid user from \$0.50 to \$1; and (2) for a standard user from \$0.90 to \$1. Beginning with the 2016 state fiscal year, it requires the Statewide 911 Board (board) to distribute statewide 911 fees to counties: (1) on a population basis; and (2) in amounts equal to distributions during the 2014 fiscal year.

*Wireless Provider Audits:* The bill authorizes the board to audit wireless telecommunications service providers on an annual basis to determine compliance with statewide 911 laws.

*PSAP Reporting:* This bill requires PSAPs to provide an annual report to the board concerning dispatch costs and funding. It requires the board to forward the report to the General Assembly.

The bill makes technical corrections.

**Effective Date:** July 1, 2015.

**Explanation of State Expenditures:** *Wireless Provider Audits:* The Statewide 911 Board could have indeterminate increased administrative expenses for the cost of the audits under this provision. Statewide 911 Board expenses are paid from 911 fee revenues.

**Explanation of State Revenues:** *Statewide 911 Fee:* This provision will increase 911 fee revenue by about \$12 M per year beginning in FY 2016. This bill increases the standard user fee by \$0.10 per line per month and increases the prepaid fee by \$0.50 per transaction.

According to the Statewide 911 Board, there were 74.3 M wireline and wireless connections in FY 2014. (One line active for 12 months accounts for 12 connections.) The board is projecting that the number of connections will decline to 72.5 M in FY 2015, 71.6 M in FY 2016, and 70.9 M in FY 2017.

Revenue from the statewide 911 fee is first used to fund the Statewide 911 Board's expenses for administration and to develop, operate, and maintain the statewide 911 system. The remaining revenue is distributed to PSAPs in the counties. In FY 2014, \$60.7 M was distributed to PSAPs. There was \$768,000 remaining after paying the board's expenses and making the PSAP distributions.

The \$60.7 M is the minimum distribution to PSAPs under current law. The Statewide 911 Board estimates that it may be \$1.9 M short in available funds to make those minimum distributions in FY 2015.

Under this bill, revenue will increase by about \$12 M per year beginning in FY 2016. The portion of this revenue increase that would be distributed to PSAPs depends on any change in the Statewide 911 Board's expenses. According to the board, its future costs are currently unknown but will range from the current \$11 M to \$18 M, driven by costs associated with the statewide 911 network.

**Explanation of Local Expenditures:** *PSAP Reporting:* This provision will add to the administrative burden of PSAPs. Under current law, PSAPs must submit an annual report to the Statewide 911 Board. The report must include expenditures made in, and call data and statistics for, the previous calendar year. This provision would also require the PSAPs to report all costs associated with dispatching agencies to respond to 911 calls, and the funding sources and funding used to cover those costs.

**Explanation of Local Revenues:** *Public Safety LOIT:* Beginning in CY 2016, this provision will permit the 54 counties that have less than a 0.25% LOIT rate for property tax replacement or relief to impose the public safety LOIT. The total CY 2016 revenue at the full 0.25% allowable rate is estimated at \$182 M for these counties. Revenue from the public Safety LOIT is distributed to the county unit and cities and towns. Any revenue increase will depend on local action.

Under current law, a county may adopt the public safety LOIT at a rate of up to 0.25% only if the county has also adopted a rate of at least 0.25% for any combination of the LOIT for property tax replacement (levy replacement) and the LOIT for property tax relief (credits that show on property tax bills). This provision allows adoption of the public safety LOIT, regardless of whether other LOITs have been adopted.

In 2015, 31 counties imposed public safety LOITs in the amount of \$198 M. Seven qualified counties do not currently impose the public safety LOIT. One county imposes a property tax relief LOIT at a rate under 0.25% and 53 counties do not impose any LOIT for property tax replacement or relief.

*Maximum Levies:* If a county is under contract with another taxing unit to operate a PSAP, this provision would allow the parties to jointly petition the DLGF to transfer a portion of the taxing unit's levy authority

to the county unit. If approved, the levy authority transferred would equal the amount levied by the taxing unit in the previous year to pay expenses for the operation of the PSAP.

Overall, total property tax levies would be unchanged. There would be some tax shift from property taxpayers within the taxing unit to all other property taxpayers within the county. In addition, a portion of other revenues that are distributed on the basis of the property tax levy, such as motor vehicle excise tax and LOIT shares, would also be shifted from the taxing unit to the county. Any impact would depend on local action.

*Statewide 911 Fee:* Local PSAPs receive revenues from the 911 fee that remain after the Statewide 911 Board retains a portion to cover its costs. Under this bill, 911 fees could increase by \$12 M per year, but the Statewide 911 Board may also have increased expenses.

If the Statewide 911 Board's expenses remain flat, PSAPs could receive about \$9.3 M in FY 2016 and \$8.5 M in FY 2017 in addition to the \$60.7 M minimum distribution. If the Board's expenses increase to \$18 M, then PSAPs could receive an additional \$2.3 M in FY 2016 and \$1.5 M in FY 2017.

**State Agencies Affected:** Department of Local Government Finance; Department of State Revenue; State Budget Agency.

**Local Agencies Affected:** Counties and other taxing units.

**Information Sources:** Barry Ritter, Executive Director, Statewide 911 Board.

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